



TOWNSHIP OF AU GRES
Arenac County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Au Gres	County Arenac
Audit Date March 31, 2005	Opinion Date May 13, 2005	Date Accountant Report Submitted to State: September 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF AU GRES
Arenac County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 13, 2005

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Au Gres, Arenac County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Au Gres's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Au Gres, Arenac County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Au Gres covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$303,916.44 for governmental activities and \$115,950.27 for business activities (water). Overall net assets decreased by \$51,601.43 due to refunding money to property owners in a special assessment water district that is now defunct. Overall total capital assets remained approximately the same; the Township had \$7,655.32 in depreciation.

Overall revenues were \$386,894.39 from governmental activities and \$18,167.99 from business-type activities (water). Governmental activities had \$34,741.44 as a special assessment for road improvements. Voted millage increases for gypsy moth and mosquito control added \$60,415.11 to the Township's total assets.

Taxable value increased \$1,149,864.00 or approximately 3%.

The Township incurred \$170,000.00 in debt for road improvement projects.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Trash Fund, Road Fund, Water Fund, Tax Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Trash Fund, Road Fund, Bay Ridge Drive Fund, Booth Road Fund, Mosquito Fund, Gypsy Moth Fund and Bond Fund.

Business-Type Funds: The Township has a Water Fund which includes the activity of providing water to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we hard-surfaced two roads in the Township at a cost of \$170,000.00 through special assessment districts and financed it through the sale of bonds.

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has four years left at \$150,000.00 for the hard-surfacing of roads in the form of outstanding bonds.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The Trash Fund pays for Township trash collection, which is a special assessment. The Road Fund pays for general road maintenance. The Mosquito and Gypsy Moth Funds are voter approved millage and at this time no withdrawals have been made. Bay Ridge Drive and Booth Road Funds are used for special assessments tax funds used to pay off the Road Bond obligation. The Bond Fund is the holding account for bond payments; \$24,198.12 was paid to the bondholder. The Tax Fund is used as a holding account for property tax payments. The Water Fund is a business-type account for the Township's water customers.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities paid \$20,000.00 of principal on long-term debt.

There were no investments in capital assets.

TOWNSHIP OF AU GRES
Arenac County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing is the main source of financing for the Township. The future of state revenue sharing is very uncertain and may cause difficulties for the Township in the future. The population of the Township remained the same from the 1990 to the year 2000 census. Only a modest 3% taxable value increase occurred within the Township.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 1865 Swenson Road, P.O. Box 783, Au Gres, Michigan 48703 or by calling 989-876-7293 or via fax 989-876-4190.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	388 596 19	24 492 82	413 089 01
Taxes receivable	16 182 33	-	16 182 33
Accounts receivable	2 930 36	319 98	3 250 34
Special assessments receivable	12 632 38	-	12 632 38
Total Current Assets	<u>420 341 26</u>	<u>24 812 80</u>	<u>445 154 06</u>
NON-CURRENT ASSETS:			
Capital Assets	55 140 00	184 546 44	239 686 44
Less: Accumulated Depreciation	(21 564 82)	(92 273 20)	(113 838 02)
Total Non-current Assets	<u>33 575 18</u>	<u>92 273 24</u>	<u>125 848 42</u>
TOTAL ASSETS	<u>453 916 44</u>	<u>117 086 04</u>	<u>571 002 48</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	-	1 135 77	1 135 77
Total Current Liabilities	<u>-</u>	<u>1 135 77</u>	<u>1 135 77</u>
NON-CURRENT LIABILITIES:			
Bonds payable	150 000 00	-	150 000 00
Total Non-current Liabilities	<u>150 000 00</u>	<u>-</u>	<u>150 000 00</u>
Total Liabilities	<u>150 000 00</u>	<u>1 135 77</u>	<u>151 135 77</u>
NET ASSETS:			
Invested in Capital Assets,			
Net of Related Debt	33 575 18	92 273 24	125 848 42
Reserved for debt service	5 440 87	-	5 440 87
Unrestricted	264 900 39	23 677 03	288 577 42
Total Net Assets	<u>303 916 44</u>	<u>115 950 27</u>	<u>419 866 71</u>
TOTAL LIABILITIES AND NET ASSETS	<u>453 916 44</u>	<u>117 086 04</u>	<u>571 002 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
Governmental Activities:				
Legislative	68 199 87	6 334 64	21 150 00	(40 715 23)
General government	68 029 79	10 748 57	-	(57 281 22)
Public safety	5 312 41	-	-	(5 312 41)
Public works	240 994 83	108 748 60	-	(132 246 23)
Culture and recreation	2 394 06	-	-	(2 394 06)
Other	1 20	-	-	(1 20)
Interest on long-term debt	4 198 12	-	-	(4 198 12)
Total Governmental Activities	<u>389 130 28</u>	<u>125 831 81</u>	<u>21 150 00</u>	<u>(242 148 47)</u>
Business-Type Activities:				
Water	<u>67 826 42</u>	<u>18 167 99</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>67 826 42</u>	<u>18 167 99</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>456 956 70</u>	<u>143 999 80</u>	<u>21 150 00</u>	<u>(242 148 47)</u>
General Revenues:				
Property taxes				140 651 88
Other taxes				2 223 77
State revenue sharing				79 585 00
Interest				2 498 58
Miscellaneous				<u>14 953 35</u>
Total General Revenues				<u>239 912 58</u>
Change in net assets				(2 235 89)
Net assets, beginning of year				<u>306 152 33</u>
Net Assets, End of Year				<u>303 916 44</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(40 715 23)
-	(57 281 22)
-	(5 312 41)
-	(132 246 23)
-	(2 394 06)
-	(1 20)
-	(4 198 12)
-	(242 148 47)
(49 658 43)	(49 658 43)
(49 658 43)	(49 658 43)
(49 658 43)	(291 806 90)
-	140 651 88
-	2 223 77
-	79 585 00
292 89	2 791 47
-	14 953 35
292 89	240 205 47
(49 365 54)	(51 601 43)
165 315 81	471 468 14
<u>115 950 27</u>	<u>419 866 71</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Bond</u>
Cash in bank	97 126 91	57 024 95	116 853 47	5 440 87
Taxes receivable	4 913 26	-	3 752 93	-
Accounts receivable	2 930 36	-	-	-
Special assessments receivable	-	6 538 03	-	-
Due from other funds	34 926 11	1 252 39	1 248 80	-
Total Assets	<u>139 896 64</u>	<u>64 815 37</u>	<u>121 855 20</u>	<u>5 440 87</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	26 409 76	-	-
Total liabilities	-	26 409 76	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	5 440 87
Unreserved:				
Undesignated	139 896 64	38 405 61	121 855 20	-
Total fund equity	<u>139 896 64</u>	<u>38 405 61</u>	<u>121 855 20</u>	<u>5 440 87</u>
Total Liabilities and Fund Equity	<u>139 896 64</u>	<u>64 815 37</u>	<u>121 855 20</u>	<u>5 440 87</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
95 173 79	371 619 99
7 516 14	16 182 33
-	2 930 36
6 094 35	12 632 38
<u>5 958 66</u>	<u>43 385 96</u>
<u>114 742 94</u>	<u>446 751 02</u>

<u>-</u>	<u>26 409 76</u>
<u>-</u>	<u>26 409 76</u>

-	5 440 87
<u>114 742 94</u>	<u>414 900 39</u>
<u>114 742 94</u>	<u>420 341 26</u>
<u>114 742 94</u>	<u>446 751 02</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	420 341 26
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	55 140 00
Accumulated depreciation	(21 564 82)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(150 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>303 916 44</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Bond</u>
Revenues:				
Property taxes	35 047 33	-	35 169 47	-
Other taxes	2 223 77	-	-	-
Licenses and permits	6 334 64	-	-	-
State revenue sharing	79 585 00	-	-	-
State grant	21 150 00	-	-	-
Charges for services – PTAF	10 748 57	-	-	-
Interest	2 034 61	55 27	40 69	354 28
Special assessments	-	49 458 00	-	-
Miscellaneous	5 750 50	-	-	-
Total revenues	<u>162 874 42</u>	<u>49 513 27</u>	<u>35 210 16</u>	<u>354 28</u>
Expenditures:				
Legislative:				
Township Board	68 199 87	-	-	-
General government:				
Supervisor	5 764 41	-	-	-
Elections	4 925 64	-	-	-
Assessor	14 760 63	-	-	-
Clerk	10 485 07	-	-	-
Board of Review	787 22	-	-	-
Treasurer	10 253 20	-	-	-
Building and grounds	12 861 83	-	-	-
Cemetery	6 483 46	-	-	-
Public safety:				
Building inspection	3 099 31	-	-	-
Planning and zoning	2 213 10	-	-	-
Public works:				
Highways and streets	-	-	7 439 00	172 838 41
Street lights	4 699 09	-	-	-
Sanitation	-	53 134 99	-	-
Drains	2 883 34	-	-	-
Culture and recreation:				
Library	613 75	-	-	-
Parks and recreation	446 98	-	-	-
Other:				
Miscellaneous	-	-	-	-
Debt service	-	-	-	24 198 12
Total expenditures	<u>148 476 90</u>	<u>53 134 99</u>	<u>7 439 00</u>	<u>197 036 53</u>
Excess (deficiency) of revenues over expenditures	<u>14 397 52</u>	<u>(3 621 72)</u>	<u>27 771 16</u>	<u>(196 682 25)</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
70 435 08	140 651 88
-	2 223 77
-	6 334 64
-	79 585 00
-	21 150 00
-	10 748 57
13 73	2 498 58
59 290 60	108 748 60
<u>9 202 85</u>	<u>14 953 35</u>
<u>138 942 26</u>	<u>386 894 39</u>

-	68 199 87
-	5 764 41
-	4 925 64
-	14 760 63
-	10 485 07
-	787 22
-	10 253 20
-	12 861 83
-	6 483 46
-	3 099 31
-	2 213 10
-	180 277 41
-	4 699 09
-	53 134 99
-	2 883 34
-	613 75
-	446 98
1 20	1 20
<u>-</u>	<u>24 198 12</u>
<u>1 20</u>	<u>406 088 62</u>
<u>138 941 06</u>	<u>(19 194 23)</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Garbage</u>	<u>Roads</u>	<u>Bond</u>
Other financing sources (uses):				
Loan proceeds	-	-	-	170 000 00
Operating transfers in	-	-	-	32 123 12
Operating transfers out	-	-	(7 925 00)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7 925 00)</u>	<u>202 123 12</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	14 397 52	(3 621 72)	19 846 16	5 440 87
Fund balances, April 1	<u>125 499 12</u>	<u>42 027 33</u>	<u>102 009 04</u>	<u>-</u>
Fund Balances, March 31	<u><u>139 896 64</u></u>	<u><u>38 405 61</u></u>	<u><u>121 855 20</u></u>	<u><u>5 440 87</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	170 000 00
-	32 123 12
<u>(24 198 12)</u>	<u>(32 123 12)</u>
<u>(24 198 12)</u>	<u>170 000 00</u>

114 742 94	150 805 77
<u>-</u>	<u>269 535 49</u>
<u>114 742 94</u>	<u>420 341 26</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 150 805 77

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (3 041 66)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 20 000 00

Receipt of debt principal in the form of loan proceeds is a financing source in the governmental funds, the receipt does not have an effect in the statement of activities but does increase the debt balance in the statement of net assets.

Principal receipts on long-term debt (170 000 00)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (2 235 89)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
March 31, 2005

<u>Assets</u>	<u>Enterprise (Water)</u>
Cash in bank	24 492 82
Accounts receivable	319 98
Water system	184 546 44
Accumulated depreciation	<u>(92 273 20)</u>
Total Assets	<u>117 086 04</u>
<u>Liabilities and Net Assets</u>	
Liabilities:	
Accounts payable	
Total liabilities	<u>1 135 77</u>
Net assets:	
Invested in capital assets, net of related debt	
Unrestricted	92 273 24
Total net assets	<u>23 677 03</u>
Total Liabilities and Net Assets	<u>115 950 27</u>
	<u>117 086 04</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
ALL PROPRIETARY FUNDS
Year ended March 31, 2005

	Enterprise (Water)
Operating revenues:	
Service charges	18 167 99
Total operating revenues	18 167 99
Operating expenses:	
Repairs and maintenance	46 368 51
Cost of water	15 335 99
Miscellaneous	1 508 26
Total operating expenses before depreciation	63 212 76
Operating income before depreciation	(45 044 77)
Less depreciation	(4 613 66)
Operating income (loss)	(49 658 43)
Non-operating income (expense):	
Interest earnings	292 89
Net non-operating income (expense)	292 89
Net income (loss)	(49 365 54)
Net assets, beginning of year	165 315 81
Net Assets, End of Year	115 950 27

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended March 31, 2005

	Enterprise (Water)
Cash flows from operating activities:	
Cash received from customers	18 481 62
Cash payments to suppliers for goods and services	<u>(63 792 66)</u>
Net cash provided (used) for operating activities	<u>(45 311 04)</u>
Cash flows from investing activities:	
Interest income	<u>292 89</u>
Net cash provided (used) for investing activities	<u>292 89</u>
Net increase (decrease) in cash	(45 018 15)
Cash beginning of year	<u>69 510 97</u>
Cash End of Year	<u><u>24 492 82</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	
Depreciation	(49 658 43)
Increase (decrease) in assets and liabilities:	4 613 66
Accounts receivable	313 63
Accrued compensated absences	<u>(579 90)</u>
Net Cash Provided (Used) for Operating Activities	<u><u>(45 311 04)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Au Gres, Arenac County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Au Gres. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Enterprise Fund

The Enterprise Fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 3.8446 mills, and the taxable value was \$36,816,880.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30-60 years
Furniture and equipment	6-15 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$33,575.18.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>463 893 42</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	134 322 01
Uninsured and Uncollateralized	<u>329 571 41</u>
Total Deposits	<u>463 893 42</u>

The Township of Au Gres did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land and improvements	33 060 00	-	-	33 060 00
Buildings	9 000 00	-	-	9 000 00
Equipment	<u>13 080 00</u>	<u>-</u>	<u>-</u>	<u>13 080 00</u>
Total	55 140 00	-	-	55 140 00
Accumulated Depreciation	<u>(18 523 16)</u>	<u>(3 041 66)</u>	<u>-</u>	<u>(21 564 82)</u>
Net Governmental Capital Assets	<u>36 616 84</u>	<u>(3 041 66)</u>	<u>-</u>	<u>33 575 18</u>
<u>Business-Type Activities:</u>				
Water System	184 546 44	-	-	184 546 44
Accumulated Depreciation	<u>(87 659 54)</u>	<u>(4 613 66)</u>	<u>-</u>	<u>(92 273 20)</u>
Net Business-Type Capital Assets	<u>96 886 90</u>	<u>(4 613 66)</u>	<u>-</u>	<u>92 273 24</u>

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all elected officials. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes to the plan. The net pension expense for the fiscal year ended March 31, 2005, was \$2,956.13.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$3,631.02 and building permit expenses of \$3,099.31.

Note 9 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Bonds Payable – Roads	<u>-</u>	<u>170 000 00</u>	<u>20 000 00</u>	<u>150 000 00</u>

Note 10 – Bonds Payable – Roads

During the year 2004-2005, the Township sold bonds in the amount of \$170,000.00 to partially fund road work. The scheduled principal payments of \$30,000.00, \$35,000.00, \$40,000.00, \$45,000.00, respectively, are due on April 1 during each of the next four years. The interest rate varies from 2.3% to 3.7%, per annum. The principal balance outstanding on March 31, 2005, was \$150,000.00.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	26 409 76	Garbage	26 409 76
Roads	1 248 80	Current Tax Collection	1 248 80
Garbage	1 252 39	Current Tax Collection	1 252 39
General	8 516 35	Current Tax Collection	8 516 35
Gypsy Moth	1 255 33	Current Tax Collection	1 255 33
Mosquito	1 255 25	Current Tax Collection	1 255 25
Bay Ridge Drive	2 724 30	Current Tax Collection	2 724 30
Booth Road	<u>723 78</u>	Current Tax Collection	<u>723 78</u>
Total	<u>43 385 96</u>	Total	<u>43 385 96</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 12 – Budget Variances

During the fiscal year ended March 31, 2005, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	4 900 00	4 925 64	25 64
Clerk	7 500 00	10 485 07	2 985 07
Treasurer	7 950 00	10 253 20	2 303 20
Building and grounds	9 500 00	12 861 83	3 361 83
Drains	-	2 883 34	2 883 34
Library	600 00	613 75	13 75
Garbage Fund Activity:			
Sanitation	43 500 00	53 134 99	9 634 99

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	32 000 00	32 000 00	35 047 33	3 047 33
Other taxes	2 200 00	2 200 00	2 223 77	23 77
Licenses and permits	7 160 00	7 160 00	6 334 64	(825 36)
State revenue sharing	78 000 00	78 000 00	79 585 00	1 585 00
State grant	25 000 00	25 000 00	21 150 00	(3 850 00)
Charges for services:				
PTAF	11 500 00	11 500 00	10 748 57	(751 43)
Interest	4 000 00	4 000 00	2 034 61	(1 965 39)
Miscellaneous	5 808 00	5 808 00	5 750 50	(57 50)
Total revenues	<u>165 668 00</u>	<u>165 668 00</u>	<u>162 874 42</u>	<u>(2 793 58)</u>
Expenditures:				
Legislative:				
Township Board	66 150 00	88 650 00	68 199 87	(20 450 13)
General government:				
Supervisor	6 200 00	6 200 00	5 764 41	(435 59)
Elections	2 100 00	4 900 00	4 925 64	25 64
Assessor	15 300 00	15 000 00	14 760 63	(239 37)
Clerk	7 500 00	7 500 00	10 485 07	2 985 07
Board of Review	1 700 00	1 700 00	787 22	(912 78)
Treasurer	7 950 00	7 950 00	10 253 20	2 303 20
Building and grounds	9 500 00	9 500 00	12 861 83	3 361 83
Cemetery	7 800 00	7 800 00	6 483 46	(1 316 54)
Public safety:				
Building inspection	5 300 00	5 300 00	3 099 31	(2 200 69)
Planning and zoning	3 500 00	3 300 00	2 213 10	(1 086 90)
Public works:				
Street lights	10 700 00	30 000 00	4 699 09	(25 300 91)
Drains	-	-	2 883 34	2 883 34
Culture and recreation:				
Library	400 00	600 00	613 75	13 75
Parks and recreation	2 000 00	2 000 00	446 98	(1 553 02)
Total expenditures	<u>146 100 00</u>	<u>190 400 00</u>	<u>148 476 90</u>	<u>(41 923 10)</u>
Excess (deficiency) of revenues over expenditures	19 568 00	(24 732 00)	14 397 52	39 129 52
Fund balance, April 1	-	24 732 00	125 499 12	100 767 12
Fund Balance, March 31	<u>19 568 00</u>	<u>-</u>	<u>139 896 64</u>	<u>139 896 64</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – GARBAGE FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	-	-	55 27	55 27
Special assessments	<u>43 500 00</u>	<u>43 500 00</u>	<u>49 458 00</u>	<u>5 958 00</u>
Total revenues	<u>43 500 00</u>	<u>43 500 00</u>	<u>49 513 27</u>	<u>6 013 27</u>
Expenditures:				
Public works:				
Sanitation	<u>43 500 00</u>	<u>43 500 00</u>	<u>53 134 99</u>	<u>9 634 99</u>
Total expenditures	<u>43 500 00</u>	<u>43 500 00</u>	<u>53 134 99</u>	<u>9 634 99</u>
Excess (deficiency) of revenues over expenditures	-	-	(3 621 72)	(3 621 72)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>42 027 33</u>	<u>42 027 33</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>38 405 61</u>	<u>38 405 61</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	30 000 00	30 000 00	35 169 47	5 169 47
Interest	-	-	40 69	40 69
Total revenues	<u>30 000 00</u>	<u>30 000 00</u>	<u>35 210 16</u>	<u>5 210 16</u>
Expenditures:				
Public works:				
Highways and streets	<u>30 000 00</u>	<u>30 000 00</u>	<u>7 439 00</u>	<u>(22 561 00)</u>
Total expenditures	<u>30 000 00</u>	<u>30 000 00</u>	<u>7 439 00</u>	<u>(22 561 00)</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>27 771 16</u>	<u>27 771 16</u>
Other financing sources (uses):				
Operating transfers out	-	-	(7 925 00)	(7 925 00)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(7 925 00)</u>	<u>(7 925 00)</u>
Excess of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>19 846 16</u>	<u>19 846 16</u>
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>102 009 04</u>	<u>102 009 04</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>121 855 20</u>	<u>121 855 20</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	3 969 15
Payroll taxes	1 224 66
Pension	2 956 13
Audit	2 000 00
Professional services	34 517 00
Memberships and dues	920 72
Insurance	19 964 00
Miscellaneous	2 648 21
	<u>68 199 87</u>
Supervisor:	
Salary	5 704 08
Miscellaneous	60 33
	<u>5 764 41</u>
Elections:	
Contracted services	2 036 50
Supplies	2 043 64
Miscellaneous	845 50
	<u>4 925 64</u>
Assessor:	
Contracted services	14 636 70
Miscellaneous	123 93
	<u>14 760 63</u>
Clerk:	
Salary	8 597 96
Supplies	1 225 11
Miscellaneous	662 00
	<u>10 485 07</u>
Board of Review:	
Wages	422 50
Miscellaneous	364 72
	<u>787 22</u>
Treasurer:	
Salary	6 041 93
Tax statement preparation	2 334 80
Miscellaneous	1 876 47
	<u>10 253 20</u>
Building and grounds:	
Contracted services	770 75
Utilities	5 725 61
Repairs and maintenance	3 026 96
Miscellaneous	3 338 51
	<u>12 861 83</u>
Cemetery:	
Wages	4 272 00
Repairs and maintenance	2 098 46
Miscellaneous	113 00
	<u>6 483 46</u>
Building inspection:	
Wages	2 687 11
Miscellaneous	412 20
	<u>3 099 31</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Planning and zoning:	
Wages	1 477 50
Miscellaneous	<u>735 60</u>
	2 213 10
Highways and streets:	
Street lighting	<u>4 699 09</u>
Drains	<u>2 883 34</u>
Library	<u>613 75</u>
Parks and recreation:	
Repairs and maintenance	<u>446 98</u>
Total Expenditures	<u><u>148 476 90</u></u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
Cash in bank	57 024 95	116 853 47	35 280 14	30 209 11
Taxes receivable	-	3 752 93	3 758 07	3 758 07
Special assessments receivable	6 538 03	-	-	-
Due from other funds	1 252 39	1 248 80	1 255 33	1 255 25
Total Assets	<u>64 815 37</u>	<u>121 855 20</u>	<u>40 293 54</u>	<u>35 222 43</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	26 409 76	-	-	-
Total liabilities	<u>26 409 76</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	38 405 61	121 855 20	40 293 54	35 222 43
Total fund equity	<u>38 405 61</u>	<u>121 855 20</u>	<u>40 293 54</u>	<u>35 222 43</u>
Total Liabilities and Fund Equity	<u>64 815 37</u>	<u>121 855 20</u>	<u>40 293 54</u>	<u>35 222 43</u>

<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
17 879 01	11 805 53	269 052 21
-	-	11 269 07
1 389 78	4 704 57	12 632 38
<u>2 724 30</u>	<u>723 78</u>	<u>8 459 85</u>
<u>21 993 09</u>	<u>17 233 88</u>	<u>301 413 51</u>
<u>-</u>	<u>-</u>	<u>26 409 76</u>
<u>-</u>	<u>-</u>	<u>26 409 76</u>
<u>21 993 09</u>	<u>17 233 88</u>	<u>275 003 75</u>
<u>21 993 09</u>	<u>17 233 88</u>	<u>275 003 75</u>
<u>21 993 09</u>	<u>17 233 88</u>	<u>301 413 51</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Garbage</u>	<u>Roads</u>	<u>Gypsy Moth</u>	<u>Mosquito</u>
Revenues:				
Property taxes	-	35 169 47	35 217 58	35 217 50
Special assessments	49 458 00	-	-	-
Interest	55 27	40 69	4 62	4 93
Miscellaneous	-	-	5 071 34	-
Total revenues	<u>49 513 27</u>	<u>35 210 16</u>	<u>40 293 54</u>	<u>35 222 43</u>
Expenditures:				
Public works:				
Sanitation	53 134 99	-	-	-
Highways and streets	-	7 439 00	-	-
Other:				
Miscellaneous	-	-	-	-
Total expenditures	<u>53 134 99</u>	<u>7 439 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(3 621 72)</u>	<u>27 771 16</u>	<u>40 293 54</u>	<u>35 222 43</u>
Other financing sources (uses):				
Operating transfers out	-	(7 925 00)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(7 925 00)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3 621 72)	19 846 16	40 293 54	35 222 43
Fund balances, April 1	<u>42 027 33</u>	<u>102 009 04</u>	<u>-</u>	<u>-</u>
Fund Balances, March 31	<u><u>38 405 61</u></u>	<u><u>121 855 20</u></u>	<u><u>40 293 54</u></u>	<u><u>35 222 43</u></u>

<u>Bay Ridge Dr.</u>	<u>Booth Road</u>	<u>Total</u>
-	-	105 604 55
29 253 73	30 036 87	108 748 60
-	4 18	109 69
-	4 131 51	9 202 85
<u>29 253 73</u>	<u>34 172 56</u>	<u>223 665 69</u>
-	-	53 134 99
-	-	7 439 00
<u>1 20</u>	<u>-</u>	<u>1 20</u>
<u>1 20</u>	<u>-</u>	<u>60 575 19</u>
<u>29 252 53</u>	<u>34 172 56</u>	<u>163 090 50</u>
<u>(7 259 44)</u>	<u>(16 938 68)</u>	<u>(32 123 12)</u>
<u>(7 259 44)</u>	<u>(16 938 68)</u>	<u>(32 123 12)</u>
21 993 09	17 233 88	130 967 38
-	-	144 036 37
<u>21 993 09</u>	<u>17 233 88</u>	<u>275 003 75</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	Balance 4/1/04	Additions	Deductions	Balance 3/31/05
<u>Assets</u>				
Cash in Bank	<u>461 202 13</u>	<u>1 087 327 43</u>	<u>1 480 748 95</u>	<u>67 780 61</u>
<u>Liabilities</u>				
Due to other funds	53 108 21	233 750 98	269 882 99	16 976 20
Due to other units	<u>408 093 92</u>	<u>853 576 45</u>	<u>1 210 865 96</u>	<u>50 804 41</u>
Total Liabilities	<u>461 202 13</u>	<u>1 087 327 43</u>	<u>1 480 748 95</u>	<u>67 780 61</u>

TOWNSHIP OF AU GRES
Arenac County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash in bank – beginning of year	<u>461 202 13</u>
Cash receipts:	
Property tax	1 077 571 58
Property tax administration fees	9 575 21
Interest	<u>180 64</u>
Total cash receipts	<u>1 087 327 43</u>
Total beginning balance and cash receipts	<u>1 548 529 56</u>
Cash disbursements:	
Township General Fund	52 901 77
Township Road Fund	49 329 46
Township Bay Ridge Fund	18 046 98
Township Mosquito Fund	30 204 18
Township Gypsy Moth Fund	30 204 18
Township Booth Road Fund	24 608 52
Township Garbage Fund	64 587 90
Arenac County	391 858 53
Au Gres Fire Authority	57 929 16
Bay Arenac Intermediate School District	233 585 61
Au Gres Sims School District	527 011 33
Refunds	<u>481 33</u>
Total cash disbursements	<u>1 480 748 95</u>
Cash in Bank – End of Year	<u>67 780 61</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 13, 2005

To the Township Board
Township of Au Gres
Arenac County, Michigan

We have audited the financial statements of the Township of Au Gres for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Au Gres in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Au Gres
Arenac County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Au Gres began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Au Gres
Arenac County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants